



## CDBG Play it Safe Tip #2

### CDBG Program Income (PI) Supplemental Activity expenditures and the 50% Rule

Per CDBG State statute § 7060. *Eligible Applicants*, the 50% Rule applies to the expenditure of any **awarded** CDBG funds. Specifically, it states:

*(3) Beginning with the 2013 NOFA, an applicant with one or more current CDBG grant agreements signed in 2012 or later, for which the expenditure deadline established in the grant agreement(s) has not yet passed, shall be ineligible to apply for any additional CDBG funds unless the applicant has expended at least fifty percent (50%) of CDBG funds awarded in 2012 and later. The requirements of this subsection do not apply to Economic Development Over-the-Counter Funds.*

This means that any non-entitlement jurisdiction that has open HCD 2012 or later CDBG contract(s) (excluding ED-OTC contracts) must have drawn\* at least 50% of the awarded funds by the time an application has been submitted in response to further CDBG funding awards (\*the work is completed and inspected, the jurisdiction has paid for the work with their own resources, and draws requesting reimbursement of funds have been received by HCD). Note that disencumbered funds do not count as “drawn” funds against the total awarded amount for calculating the 50% Rule expenditure requirement, and the awarded amount is not reduced for the disencumbered amount.

Just as CDBG PI funds are not included in the total amount of awarded funds to determine the 50% Rule (since CDBG PI is not awarded), the expenditure of CDBG PI funds within the open contract periods are not included in the grant expenditure calculations.

To illustrate, below are four scenarios calculating the CDBG 50% Rule with CDBG grant and PI expenditures.

#### Scenario #1:

The City of High Country wants to apply for CDBG funds to rehabilitate their library and to pay for the operations of an after school program in their only elementary school. High Country has a housing Revolving Loan Fund with \$478,000 per the last PI report received, and their last CDBG contract (09-STBG-0987 was closed in 2014).

The City of High Country would not need to spend their RLF funds prior to applying for CDBG funds in the next round, since it is not allowed to use funds for activities outside the RLF.

#### Scenario #2:

The City of Buffalo Bones has 2 open CDBG grants: 12-CDBG-1111 (Awarded \$1,000,000 for a water project) that has a balance of \$420,000 and has 2 PI Supplemental Activities added (\$200,000 Homebuyer Asst. and \$65,000 for a Public Service), and 14-CDBG-2222 (Awarded

\$2,000,000 for a street improvement project) with a balance of \$1,998,000 and includes a PI Supplemental Activity of \$150,000 for Micro TA. Buffalo Bones reported \$420,000 in PI on hand as of 9/30/15.

Assuming that there is an open CDBG NOFA with applications due 10/30/15, Buffalo Bones would not be eligible to apply for more CDBG funding (excluding any disaster NOFA's or ED-OTC) unless they had expended a total of \$1,920,000 in CDBG funds, \$918,000 of which would have to be drawn from the grant funds.

<b>Contract #</b>	<b>Matrix Code</b>	<b>Project</b>	<b>Awarded / PI Suppl</b>	<b>Amount</b>	<b>Drawn</b>	<b>Balance</b>
12-CDBG-1111	03J	Water 12-	Awarded	<b>\$1,000,000</b>	\$580,000	\$420,000
12-CDBG-1111	13	Hmbyr Asst	PI Suppl	\$200,000	\$200,000	\$0
12-CDBG-1111	05A	Sr. Svcs	PI Suppl	\$65,000	\$0	\$65,000
14-CDBG-2222	03J	Street Impr	Awarded	<b>\$2,000,000</b>	\$2,000	\$1,998,,000
14-CDBG-2222	18C	Micro TA	PI Suppl	\$150,000	\$0	\$150,000
Total CDBG \$ Awarded				\$3,000,000	\$582,000	
Min. amount to be drawn for 50% Rule				\$1,500,000		
Total PI on hand				\$420,000		
Total amount that must be expended for 50% Rule				\$1,920,000; \$918K additional grant funds + all \$420K of the PI on hand (\$582K grant funds have already been drawn)		

### Scenario #3:

Surfable County has four open CDBG grants: 13-CDBG-3333 (Awarded \$600,000 housing combo program) with a balance of \$120,000; 14-EDBG-5555 (Awarded \$3,000,000 for an ED-OTC project) with a balance of \$2,600,000; 15-CDBG-6666 (Awarded \$2,000,000 for a street project and a housing combo program) with a \$2,000,000 balance; and a 15-DHRA-7777 (awarded \$175,000 relocation program related to drought). The County has \$134,655 in CDBB PI according to their most recent PI report.

Surfable County will have to spend a total of \$1,434,655 in CDBG funds, \$1,300,000 of which

must be grant funds, before they are eligible to apply for additional CDBG funds.

Contract #	Matrix Code	Project	Awarded / PI Suppl	Amount	Drawn	Balance
13-CDBG-3333	13 & 14	Homebuyer or Rehab Asst	Awarded	\$600,000	\$480,000	\$120,000
14-EDBG-5555	17B	Infrastructure for Walmart	Awarded	\$2,600,000	\$0	\$2,600,000
15-CDBG-6666	13 & 14	Homebuyer or Rehab Asst	Awarded	\$500,000	\$0	\$500,000
15-DHRA-7777	n/a	Relocation	Awarded	\$175,000	\$0	\$175,000
Total CDBG \$ Awarded				\$3,700,000	\$480,000	
Min. Amt to be drawn for 50% Rule				\$550,000	Note: DHRA contract not included as it is State funding, not CDBG.	
Total PI on hand				\$175,000		
Total amount that must be expended for 50% Rule				\$725,000; \$70K additional grant funds plus all \$175,000 of PI on hand		

#### Scenario #4:

The County of Jefferson has 2 open CDBG grants: 12-CDBG-8888 (Awarded \$1,000,000 for a fire station) that has a balance of \$430,000 and includes 5 PI Supplemental Activities (various activities) and an extended expenditure deadline of 12/31/16; 13-CDBG-1234 (Awarded \$2,000,000 for a street project, public facility and a public service) with a balance of \$1,800,000 and includes a PI Supplemental Activity of \$85,000 for Homebuyer Assistance (the City does not have a housing RLF).

Jefferson reported \$2,892,000 in PI on hand as of 9/30/15. Assuming that there is an open CDBG NOFA with applications due 10/30/15, Jefferson would not be eligible to apply for more CDBG funding (excluding any disaster NOFA's or ED-OTC) unless they had expended a total of \$3,722,000 in CDBG funds, \$730,000 of which would have to be drawn from the grant funds.

<b>Contract #</b>	<b>Matrix Code</b>	<b>Project</b>	<b>Awarded / PI Suppl</b>	<b>Amount</b>	<b>Drawn</b>	<b>Balance</b>
12-CDBG-8888	03O	Fire station	Awarded	<b>\$1,000,000</b>	\$570,000	\$430,000
12-CDBG-8888	Various	Various	PI Suppl	1,000,000	\$0	\$1,000,000
13-CDBG-1234	03J	Street Improv	Awarded	<b>\$2,000,000</b>	\$200,000	\$1,800,000
13-CDBG-1234	13	Homebuyer	PI Suppl	\$85,000	\$0	\$85,000
Total CDBG \$ Awarded				\$3,000,000	\$770,000	
Min. amount to be drawn for 50% Rule (The 12 contract must be included since the expenditure deadline has been extended.)				\$1,500,000		
Total PI on hand				\$2,892,000		
Total amount that must be expended for 50% Rule				\$3,722,000; \$730K additional grant funds + all \$2,892,000 of the PI on hand (\$770K grant funds have already been drawn).		

If you have questions regarding CDBG PI and the 50% Rule, contact your Contract Management Representative. They will be happy to work with you and answer your questions.

Thank you.